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SUBJECT: GOR AGENCIES VISIT PWC MOSCOW OFFICE MARCH 9

REF: A. MOSCOW 664
[1](#)B. MOSCOW 466

[1](#)1. (SBU) Some 50 Officials from the Interior Ministry's (MVD) Department of Economic Security and the Procuracy General spent the better part of Friday, March 9, in the Moscow office of PricewaterhouseCoopers (PWC) in connection with the two cases pending against the firm (reftels). The MVD was on a search for documents related to the outstanding tax case against PWC, which involves accounting for expatriate salaries. The Procuracy was looking for documents relating to charges that PWC falsified its 2002-2004 audits of former oil giant Yukos.

[1](#)2. (SBU) The head of PWC's Russia operations, Mike Kubena (amcit, protect) described the MVD raid as a "disgrace." Some 45 MVD officers rifled through PWC's office for hours on Friday and treated PWC employees "shockingly." They took with them a significant amount of documentation -- none of which Kubena judged to be relevant to the tax case against the firm. The MVD continues to threaten to bring criminal charges, but has not done so as of today. (Note: In November 2006, PWC lost its final automatic appeal of its claim that its expatriate salary accounting was in keeping with Russian law and international practice, and PWC has paid the USD 14 million tax authorities argued PWC had underpaid.)

[1](#)3. (SBU) Kubena said the Procuracy's visit to PWC, which happened concurrently, but nevertheless separately from the MVD raid, was more tempered, if not professional. The team of 4-5 officials examined and removed documents relating to PWC's audits of Yukos in 2002-2004. (Note: PWC had isolated and stored these documents more than two years ago in anticipation of such a request from the GOR, but had not been approached for them prior to March 9.) As of the sending of this message, previously scheduled arbitration court hearings in this case had just begun.

[1](#)4. (SBU) Despite his obvious distress about the manner in which the MVD conducted itself in PWC's offices on Friday, Kubena urged continued restraint when discussing the firm's case in public. "Not all the facts are clear yet," he told us, and better not to raise the public profile of the case in ways that could come back to hurt the prospects for a reasonable solution.
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